

Agenda Item No:

Report to: Audit Committee

Date of Meeting: 26th September 2011

Report Title: **Statement of Accounts 2010-11**

Report By: Peter Grace – Head of Financial Services

Purpose of Report

The Audit Committee are asked to approve the Statement of Accounts (2010-11) on behalf of the Council in accordance with the Accounts & Audit Regulations 2011.

Recommendation(s)

1. The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2011.

Reasons for Recommendations

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

Background

Introduction

1. The Accounts & Audit Regulations 2011 require the Council to approve the Statement of Accounts by the 30 September each year. This Committee has delegated authority to approve the accounts on behalf of the Council. The audited Statement of Accounts is attached.
2. The Council's external auditors PKF have finished auditing the full accounts and the Auditors Report is contained within the statements. An unqualified opinion has been achieved.

Statement of Accounts

3. The Statement of Accounts as defined in the regulations and 2010 Code comprises:
 - * The statement of responsibilities
 - * The independent auditor's report.
 - * The core accounting statements.
 - * Notes to the Core Financial Statements.
 - * The Collection Fund Income and Expenditure Account..
4. For the first time this Statement of Accounts, in common with those for all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS).
5. This brings local authority accounting in line with the rest of the public sector, which adopted IFRS in its published accounts from 2009-10. IFRS requires entities to re-state the previous financial year's results in line with IFRS, and as if they had always produced their accounts under IFRS.
6. The balance sheets as at the start and end of 2009-10 have therefore been re-stated in this set of accounts, together with all of the accounting statements and notes for the year.
7. Changing the way in which we account does not in itself add or deduct from the overall resources, but the intention is to enable the Council to show more clearly what resources are available. Within the accounts it is the Usable Reserves which represent monies that can be applied to fund expenditure or reduce local taxation.
8. Full details of the change to policies are given in Note 1 to the accounting statements.
9. The Council's accounts for approval are attached in Appendix A.

The Accounting Statements

10. The Movement in Reserves shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “other reserves”. The line entitled “Net Increase / Decrease before Transfers to Earmarked Reserves” shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.
11. The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise Council Tax to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
12. The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, i.e. those reserves that the Council may use to provide services. The second grouping includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”. The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.
13. The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the users of the services provided. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council's future service delivery. Cash flows arising from financing activity are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
14. The Collection Fund Income and Expenditure Account produced a surplus in the year of £264,000 (£32,000 in 2009-10). The cumulative surplus at the 31st March 2010 is therefore £296,000. A very creditable in year Council Tax collection rate of 96.4% was achieved in 2010-11 (96.1% in 2009-10).
15. Further interpretation of the accounts highlighting key issues is contained within the explanatory foreword of the Statement of Accounts.

Financial Position

16. The outturn position reported at the 11th July 2011 Cabinet was total service expenditure of £20.132 million. The Cost of Services in the Comprehensive Income and Expenditure Statement is a surplus of (£5.665 million) which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
17. The reconciliation between the total service expenditure and the Cost of Services in the Comprehensive Income and Expenditure Statement can be found in Note 33.
18. The Revised Budget assumed a contribution from the General Reserve of £113,690. The outturn results in £502,032 (including carry forwards) being credited to the General Reserve as reported in July. This balance on the General Reserve is £1,690,000 (including carry forwards of £308,000). The General Fund working balance remains at £500,000.

Reserves

19. The Medium Term Financial Strategy identified the need for any underspend to be used as an opportunity to strengthen reserves. The under spend in 2010/11 of £502,032 has been transferred to the General Reserve in order to meet the carry forward expenditure with the remaining monies to be used to help cover expected shortfalls in income in future years.

Pensions

20. An accounting standard (IAS 19) requires Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying the assets and liabilities of the respective institutions investing within the fund on a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.
21. Following the Chancellor's budget statement on 22 June 2010 the calculations for pensions have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account of £11.934 million. This credit is reversed out for Council Tax purposes.
22. There has been an improvement in the balance sheet since last year. This is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than at 31 March 2010. The overall effect is that the net deficit in the pension fund has moved from a deficit of £51.739 million to a deficit of £19.595 million at 31 March 2011.
23. East Sussex County Council administers the pension scheme. Full actuarial valuations are carried out on a three yearly basis (last carried out as at 31st March 2011).

Financial Position

24. In summary, the outturn position is very much in line with the revised budget estimates once carry forwards are taken into account.
25. The Council's financial standing remains healthy, and steps have already been taken to help achieve a balanced budget in 2012/13. To maintain this position in the years beyond this, given the major reductions in future funding, the Council needs to continue to identify further significant efficiencies, expenditure reductions and income generation opportunities.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

Supporting Documents

Appendix A - Statement of Accounts 2010-11

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